

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|   |   |          |
|---|---|----------|
| APPLICATION OF CUMBERLAND VALLEY RURAL      | ) |          |
| ELECTRIC COOPERATIVE CORPORATION FOR A      | ) |          |
| CERTIFICATE OF CONVENIENCE AND NECESSITY TO | ) | CASE NO. |
| CONSTRUCT ADDITIONAL LINES AND FACILITIES   | ) | 96-221   |
| AND TO EXECUTE ITS NOTE TO NATIONAL RURAL   | ) |          |
| UTILITIES COOPERATIVE FINANCE CORPORATION   | ) |          |
| IN THE AMOUNT OF \$2,015,000                | ) |          |

O R D E R

Cumberland Valley Rural Electric Cooperative Corporation ("Cumberland Valley") filed its application on June 24, 1996 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, for approval to borrow funds from the National Rural Utilities Cooperative Finance Corporation ("CFC"), and to execute its notes to secure such loan. In support of its application, Cumberland Valley filed its 1996-1998 Work Plan. Based on the filing of Cumberland Valley, these improvements and additions are estimated to cost \$6,717,000 and will be financed by loans of \$4,702,000 from the Rural Utilities Service ("RUS") and \$2,015,000 from CFC.

On October 15, 1996, the Commission issued an Interim Order granting Cumberland Valley a Certificate of Public Convenience and Necessity for the proposed construction, but deferred ruling on the proposed loans.

On March 25, 1997, Cumberland Valley advised the Commission of RUS approval of \$3,292,000. On April 17, 1997, Cumberland Valley advised the Commission of CFC

approval of \$1,411,000. The CFC loan amount still represents 30 percent of the total concurrent RUS/CFC loan request. Cumberland Valley states that the remainder of the loans will be approved later by RUS and CFC.

The Commission, after consideration of the evidence of record and being advised, finds that:

1. The loan from CFC in the amount of \$1,411,000 is for lawful objects within the corporate purposes of Cumberland Valley, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonable, necessary and appropriate for such purposes.

2. Cumberland Valley is capable of executing its notes as security for the loan as stated herein.

3. Cumberland Valley should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

4. Within 10 days of its selection of the interest rate program, Cumberland Valley should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in Cumberland Valley's application.

6. Cumberland Valley should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency does not require Commission approval, KRS

278.300(10), and as the RUS is an agency of the federal government, no action on Cumberland Valley's proposed loan from the RUS is required.

IT IS THEREFORE ORDERED that:

1. Cumberland Valley is authorized to borrow \$1,411,000 from CFC for a 35-year period and bearing either a fixed or variable rate, as chosen by Cumberland Valley at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

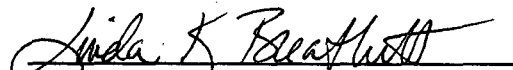
2. Cumberland Valley is authorized to execute its notes as security for the loan herein authorized.

3. Cumberland Valley shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 7th day of May, 1997.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director